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FISCAL IMPACT STATEMENT

LS 7237

BILL NUMBER: SB 434

NOTE PREPARED: Feb 20, 2004

BILL AMENDED: Feb 19, 2004

SUBJECT: Professional Sports Development Areas.

FIRST AUTHOR: Sen. Paul

FIRST SPONSOR: Rep. Grubb

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill allows a second class city to adopt a resolution to establish a Professional Sports and Convention Development Area before January 1, 2005. (Current law provides that a second class city that seeks to establish a Professional Sports and Convention Development Area must have adopted a resolution before July 1, 2003.) The bill also allows Gary, Indiana to designate more than 1 facility as part of a Professional Sports and Convention Development Area.

The bill allows Randolph County to spend County Economic Development Income Tax (CEDIT) revenue to renovate the county courthouse. It provides that a bond issued to finance a juvenile center in Randolph County may not be redeemed before the bond's final maturity date. The bill creates the Randolph County volunteer fire recommendation panel. The bill also requires that the wage paid for certain projects funded by CEDIT in Randolph County be at least equal to the common construction wage recommended by the department of workforce development. The bill provides that 10% of the CEDIT revenue not used to pay bonds or leases to be transferred to the Randolph County Economic Development Foundation to be used only for job training and job creation programs.

Effective Date: (Amended) Upon passage; July 1, 2004.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) The bill extends the deadline by which second class cities may establish a Professional Sports and Convention Development Area (PSCDA). This deadline is extended from July 1, 2003, to January 1, 2005. The bill also repeals current statute that limits a PSCDA in Gary to one facility. Potentially, new PSCDAs could be created in Gary or Richmond containing stadium or convention center facilities due to this deadline extension. However, the actual number of new PSCDAs due to the

deadline extension is indeterminable.

If the facilities in Richmond and Gary meet the other pertinent requirements for PSCDAs, at least two new areas could be established under this proposal. However, local units would still have to adopt a resolution establishing the PSCDAs. The Budget Committee must also review any resolutions and the Budget Agency must approve them before revenues are diverted. The amount of state revenue which may be captured would still be limited to \$5 for each resident of the establishing unit, and any collections in excess of the cap would be realized as normal collections. The table below presents capture limits based on Census 2000 data for potential PSCDAs in Richmond and Gary.

State Revenue Caps for Potential PSCDAs
(Capture limit is \$5 per resident of the establishing local unit)

Establishing Unit	Richmond	Gary
Potential Capture Limit	\$195,620	\$513,730

*Based on Census 2000 totals.

Background: Under current law, a Professional Sports and Convention Development Tax Area (PSCDA) is a special zone in which certain state and local tax revenues earned in the area are diverted and deposited into a special fund. This fund is dedicated to capital improvement in the development area. Currently, PSCDAs are operated by Marion County, Allen County, Evansville, Huntingburg, and South Bend.

Under current statute a PSCDA may include only facilities owned by a city, a county, a school corporation, a local capital improvement board, a county building authority, a civic center's board of directors in South Bend and Mishawaka, or the Building Authority in Gary. Except in Allen County and Gary, a PSCDA must contain a professional sports facility. A PSCDA also may include: (1) a facility used principally for convention or tourism related events serving national or regional markets; (2) an airport; (3) a museum; (4) a zoo; (5) a facility used for public attractions of national significance; (6) a performing arts venue; or a county courthouse registered on the National Register of Historic Places. In addition, current statute does not require a PSCDA in Gary to contain a professional sports facility, and prohibits a Gary PSCDA from containing more than one facility.

The state taxes that may be captured by PSCDAs are the Gross Retail Tax and the Individual Adjusted Gross Income Tax. Except in Marion County, PSCDAs may capture an amount up to \$5 for each resident of the establishing unit. Revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%). Sales Tax revenue will be deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures: (Revised) The bill creates the Randolph County Volunteer Fire Recommendation Panel. The panel consists of 5 members and is to make recommendations concerning the expenditure of revenue to pay costs associated with constructing, acquiring, and renovating firefighting equipment for a volunteer fire department. Some additional costs could occur if the members of the panel are paid per diem and mileage. The additional costs would probably be minor.

The bill allows Randolph County to spend County Economic Development Income Tax (CEDIT) revenue to renovate the county courthouse. It also provides that a bond issued to finance a juvenile center in Randolph County may not be redeemed before the bond's final maturity date.

The bill specifies how the CEDIT revenue is to be used. CEDIT revenue must be used first to repay bonds issued, or a lease entered into, to finance or renovate the former county hospital for additional office space, educational facilities, and other county functions. Revenue not used for this purpose must be distributed as follows:

(1) The balance in the county option tax revenue fund on December 31, 2003 not used to repay the bonds or leases must be transferred to the Randolph County Economic Development Foundation to be used only for job training and job creation programs.

(2) After December 31, 2003, 10% of the CEDIT revenue received not used to repay the bonds or leases must be transferred annually to the Randolph County Economic Development Foundation to be used only for job training and job creation programs.

CEDIT revenue remaining after repayment of the bonds or leases, and after the distributions specified in (1) and (2) above must be spent in equal amounts on: (1) volunteer fire department buildings and equipment; and (2) financing, constructing, acquiring, renovating, and equipping the county courthouse.

The Randolph county CEDIT certified distribution for CY 2004 is \$1,646,035.

The bill also requires that the wage paid for certain projects funded by CEDIT in Randolph County be at least equal to the common construction wage recommended by the Department of Workforce Development. The provision may increase the cost of potential projects. The amount of the increase would depend on the project but would probably be minor.

Explanation of Local Revenues: (Revised) The local taxes that may be captured by PSCDAs are local food and beverage taxes and local option income taxes. However, local food and beverage taxes may not be captured by a PSCDA in Allen County. Thus, new PSCDAs in second class cities would be able to capture local food and beverage tax revenue and COIT, CAGIT, and CEDIT revenue generated by any new PSCDA facilities. The increase in revenue would be directed to the PSCDA instead of other local taxing units as provided under current statute.

State Agencies Affected:

Local Agencies Affected: Second Class cities; Randolph County

Information Sources: Matt Kimmick, State Budget Agency, (317) 232-5618. *Census 2000*, U. S. Bureau of Census.

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